CIA/OCI/BRIEF 113-75 22 JULY 1975

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EUROPEAN BRIEF 113-75.4

I. PORTUGAL: PRIME MINISTER GONCALVES IS STILL IN THE CENTER OF THE POWER STRUGGLE BETWEEN THE MODERATES AND THE COMMUNISTS.4

EVENTS OF LAST WEEKEND AS A VICTORY. THE COMMUNISTS ISSUED
A STATEMENT CONGRATULATING PARTY MEMBERS FOR HAVING TURNED
BACK "REACTIONARY FORCES" BENT ON FORCING GONCALVES' RESIGNATION
AND ESTABLISHING A RIGHT-WING GOVERNMENT. THE COMMUNIST-DOMINATED
PROPAGANDA DIVISION OF THE GENERAL STAFF HAS PUBLISHED ITS SECOND SIMM
COMMUNIQUE IN AS MANY DAYS SUPPORTING THE PRIME MINISTER AND REBUKING THE SOCIALISTS-WITHOUT NAMING THEM-FOR THEIR EFFORTS TO
"ENCOURAGE VIOLENCE."Y

THE SOCIALISTS, ON THE OTHER, ARE EUPHORIC BECAUSE THEY
HELD SUCCESSFUL RALLIES DESPITE ATTEMPTS BY THE COMMUNISTS AND
THE MILITARY TO STOP THEM.

DITHIN THE COUNCIL. THE MODERATES ARE PLANNING TO MOVE

AGAINST GONCALVES WHEN HE PRESENTS HIS LIST OF CABINET MONINEES.

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D PERSON PROBABLY LATER THIS WEEK. PRESIDENT COSTA GOMES, WHO IS THE KEY TO THE MODERATES' STRATEGY, WAS AGAIN RUMORED TO BE CONSIDERING A MOVE AGAINST GONCALVES AT MONDAY'S COUNCIL MEETING. THE PRESIDENT, HOWEVER, WILL NOT MAKE A FIRM COMMITMENT, AND HE IS NOT TRUSTED BY MANY MODERATES. 4

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THE TRAVEL PLANS OF KEY REVOLUTIONARY COUNCIL MEMBERS HAVE ALSO PROMPTED SPECULATION ABOUT THE TIMING OF AN ATTEMPT AGAINST INTERNAL SECURITY FORCES COMMANDER OTELO DE CARVALHO LEFT ON MONDAY FOR A SCHEDULED TRIP TO CUBA. HIS DEPARTURE HAS FUELED RUMORS THAT HE MAY HAVE LEFT TO AVOID ANY CONNECTION WITH THE ATTEMPT AGAINST GONCALVES. 4

//FOREIGN MINISTER ANTUNES TOLD HIS ITALIAH COUNTERPART IN DISCUSSIONS LAST WEEK IN ROME THAT HE HAD TENTATIVELY DECIDED NOT TO ATTEND THE MINISTERIAL MEETING-SCHEDULED FOR TUESDAY IN BRUSSELS-TO DISCUSS EC AID FOR PORTUGAL. HIS REASONS FOR REMAINING IN LISSON MAY BE TIED TO THE POWER STRUGGLE WITHIN THE REVOLUTIONARY COUNCIL. HE MAY ALSO BE WAITING FOR A NEW GOVERNMENT TO BE BORMED BEFORE DISCUSSING ASSISTANCE WITH THE EC.//Y

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PRESS REPORTS THAT PRESIDENT COSTA GOMES SUMMONED BOTH SOARES AND THE LEADER OF THE SOCIALIST FACTION IN THE CONSTITUTENT ASSEMBLY FOR CONSULTATIONS MAY INDICATE SOME BREAK IN THE SITUATION. (SECRETLY

READINESS TO HOLD A THIRD ROUND OF INTERCOMMUNAL TALKS IN VIENNA
ON THURSDAY, BUT THE PROSPECTS FOR PROGRESS ARE DIM. WHAT SLIM
CHANCES THERE ARE WILL HINGE ON THE NATURE OF THE TURKISH PROPOSALS
FOR A CYPRIOT CENTRAL GOVERNMENT THAT WERE PRESENTED ON MONDAY TO
THE UN SPECIAL ENVOY TO CYPRUS AND THE GREEK CYPRIOT REACTION TO

GREEK CYPRIOT NEGOTIATOR CLERIDES HAS ALREADY REJECTED TURKISH
CYPRIOT NEGOTIATOR DENKTASH'S PROPOSALS FOR A JOINT PROVISIONAL
GOVERNMENT THAT WERE MADE PUBLIC LAST SATURDAY. CLERIDES, WITH
THE BACKING OF BOTH ATHENS AND ARCHBISHOP MAKARIOS, CLAIMED THAT
THE PROPOSALS WERE AIMED AT ABOLISHING THE GOVERNMENT OF CYPRUS
AND THAT THEY PREJUDGED A FINAL SETTLEMENT BY THEIR ALLUSION TO A
BIREGIONAL FEDERATION AND EQUAL REPRESENTATION OF THE TWO COMMUNITIES
IN THE PROVISIONAL GOVERNMENT. Y

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DENKTASH CLAIMED THAT HIS PROPOSALS, WHICH CALLED FOR CONTROL
BY THE PROVISIONAL CENTRAL GOVERNMENT OF FOREIGN AFFAIRS, FINANCE,
COMMUNICATIONS, AND HEALTH, COULD BUILD MUTUAL CONFIDENCE AND
TRUST BETWEEN THE TWO COMMUNITIES.

NOTHER SETBACK TO NEGOTIATIONS IS LIKELY TO OCCUR IF DENKTASH FOLLOWS THROUGH ON A THREAT HE MADE ON SUNDAY TO RESUME THE MASS EXPULSION OF GREEK CYPRIOTS FROM THE NORTH, SHOULD TURKISH CYPRIOTS IN THE SOUTH NOT BE ALLOWED TO LEAVE THE GREEK ZONE.4

MAKARIOS IS NOT LIKELY TO YIELD TO DENKTASH'S DEMAND. THE EXPULSION OF GREEK CYPRIOTS STRENGTHENS MAKARIOS' ARGUMENT THAT THE CYPRUS PROBLEM SHOULD BE TRANSFERRED TO AN INTERNATIONAL FORUM IF THERE IS NO PROGRESS—WHICH HE DOES NOT EXPECT—IN THE INTERCOMMUNAL TALKS AT VIENNA. {CONFIDENTIAL}

3. USSR: SOVIET AUTHORITIES ON JULY 38 GRANTED THE LONG-PENDING REQUEST OF YELENA SAKHAROV, WIFE OF PROMINENT DISSIDENT PHYSICIST ANDREY SAKHAROV, TO GO TO ITALY FOR TREATMENT OF AN EYE CONDITION THAT IS THREATENING HER SIGHT. THE DECISION COULD BE DEDATE:

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SIGNED TO TAKE HER CASE, WHICH HAS BEEN WELL PUB-LICIZED IN THE WEST, OUT OF THE HEADLINES BEFORE THE EUROPEAN SECURITY CONFERENCE SUMMIT CONVENES IN HELSINKI.4

CALLED "DEMOCRATIC MOVEMENT" AND AN ARTICULATE

SPOKESMAN FOR OTHER SOVIET DISSIDENTS AND POLITICAL

PRISONERS, TOLD DESTERN NEWSMEN IN MOSCOW THAT THE

REGIME'S DECISION CAME JUST ONE DAY AFTER SHE HAD

BEEN TOLD THAT THE REQUEST HAD BEEN TURNED DOWN

AGAIN. SAKHAROV'S WIFE FIRST APPLIED TO GO TO

ITALY LAST MARCH, AFTER REPEATED MEDICAL TREATMENT

IN THE USSR PROVED UNSUCCESSFUL. SAKHAROV AND HIS

WIFE HAVE REPEATEDLY PROTESTED THE REGIME'S RE
FUSALS THROUGH THE MEDIUM OF THE WESTERN PRESS.

THEY EVEN STAGED A THREE-DAY HUNGER STRIKE IN EARLY

MAY TO HIGHLIGHT THE CASE.Y

SAKHAROV'S PRESTIGE AT HOME AND ABROAD HAS

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HELPED TO SHIELD HIM FROM SERIOUS REPRISALS. BUT HER HIS FAMILY. AND HIS COLLEAGUES HAVE BEEN SUBJECTED TO INCREASING HARASSMENT. HE HAS DENOUNCED PAST REFUSALS TO LET HIS WIFE RECEIVE TREATMENT ABROAD AS THE MOST REPREHENSIBLE FORM OF PRESSURE AGAINST HIM.4

MRS. SAKHAROV EXPECTS TO LEAVE FOR A CLINIC IN SIENA, ITALY, AS SOON AS POSSIBLE BECAUSE, ACCORDING TO SAKHAROV, HER SIGHT IS RAPIDLY DETERIORATING. THE ITALIAN PRESS RECENTLY REPORTED THAT SPECIALISTS AT SIENA ARE NOT FULLY CONFIDENT THAT HER CONDITION, DATING TO WORLD WAR II, CAN BE SUCCESSFULLY TREATED. SHE HAS REPORTEDLY ALSO RECEIVED OFFERS OF TREATMENT FROM INSTITUTIONS IN THE US, ISRAEL, FRANCE, AND SWITZERLAND.

4. YUGOSLAVIA: FOREIGN MINISTER MINIC TOLD THE NATIONAL ASSEMBLY LAST FRIDAY THAT YOULD SOON START A

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UN GENERAL ASSEMBLY ON DISARMAMENT.4

MINIC ROUNDLY CONDEMNED THE GREAT POWERS BOTH FOR EXPANDING THE ARMS RACE AND TRYING TO MONOPOLIZE NUCLEAR WEAPONS. HE SPECIFICALLY CRITICIZED THE RE-VIEW CONFERENCE ON THE NUCLEAR NON-PROLIFERATION TREATY, HELD IN GENEVA IN MAY, WHICH, HE SAID, SHOWED THE NUCLEAR SUPER POWERS ARE UNPREPARED TO MEET THEIR OBLIGATIONS UNDER THE TREATY. HE ALSO INDI-CATED THAT THE NON-NUCLEAR STATES ARE ANGRY BECAUSE OF THE FAILURE OF THE GREAT POWERS "TO HONOR THE TERMS OF THE NPT." MINIC MADE NO DIRECT REFERENCE TO THE REGIME'S RECENT REVIEW OF YUGOSLAVIA'S COMMITMENT TO THE TREATY. BUT HIS EFFORT TO TAKE THE DISARMA-MENT ISSUE TO THE UN REFLECTS BELGRADE'S DISILLU-SIONMENT WITH THE RESULTS OF THE TREATY. 4

THE NEXT STAGE IN THE YUGOSLAV CAMPAIGN WILL BE TO CONTACT OTHER MEMBERS OF THE NONALIGNED WORLD

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EAST ASIA BRIEF LL3-75-4

1. VIETNAM: OVERALL GROUTH IN THE NORTH VIETNAMESE ECONOMY

DURING 1779 AND 1974 WAS LESS THAN HANOI HAD HOPED, AND THE COMMUNIST

TAKEOVER OF SOUTH VIETNAM WILL COMPLICATE THE TASK OF ECONOMIC DE
VELOPMENT IN THE NORTH OVER THE NEXT FEW YEARS-Y

AFTER THE CEASE-FIRE IN JANUARY 1973, HANOI GAVE PRIORITY
TO RAPID RESTORATION OF BOMB-DAMAGED TRANSPORTATION ROUTES,
ELECTRIC POWER PLANTS, AND SMALL MODERN INDUSTRIES, ROADS,
BRIDGES, TRUCK DEPOTS, AND SAIL FACILITIES WERE REPAIRED
QUICKLY, OFTEN IN A MAKESHIFT WAY, RESTORATION OF THE THAC BA
HYDROELECTRIC POWER PLANT, THE WONG BI AND THAI NGWYEN THERMAL
POWER PLANTS, AND CONSTRUCTION OF A NEW THERMAL POWER PLANT
AT NINH BINH RESTORED THE COUNTRY, S POWER CAPACITY TO NEARLY
THE PREMAR LEVEL.Y

PRODUCTION GAINED IN 1974, BUT ATTEMPTS TO RESTORE
OUTPUT TO PREWAR LEVELS IN IRON AND STEEL, CEMENT, CHEMICAL
FERTILIZERS, AND COAL HERE ONLY PARTLY SUCCESSFUL. THE NEED
FOR EXTENSIVE DAMAGE SURVEYS, COMBINED WITH SHORTAGES OF
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OUTPUT FROM LIGHT INDUSTRIES AND HANDICRAFTS—WHICH,

EXCEPT FOR TEXTILE PLANTS, WERE RELATIVELY FREE OF DIRECT

DAMAGE—GREW MODERATELY WITH THE IMPROVEMENT IN TRANSPORTATION

FACILITIES, RAW MATERIAL SUPPLIES, AND AVAILABILITY OF ELECTRIC

POWER. REPAIRS TO DAMAGED TEXTILE PLANTS, INCLUDING THOSE

AT NAM DINH AND HAIPHONG, AND CONSTRUCTION OF NEW ONES

PROBABLY RESTORED MOST OF THE COUNTRY'S TEXTILE PRODUCTION

CAPACITY. Y

PROBLEMS IN AGRICULTURE HAVE ESPECIALLY RETARDED ECONOMIC GROWTH. AGRICULTURE STILL DOMINATES THE ECONOMY. ACCOUNTING FOR BETWEEN 35 AND 4D PERCENT OF NATIONAL OUTPUT AND EMPLOYING 7D PERCENT OF THE CIVILIAN LABOR FORCE. SINCE THE WAR. AGRICULTURE LAGGED BECAUSE OF LACK OF INVESTMENT AND MUDDLED POLICIES.4

NORTH VIETNAM'S RICE YIELDS ARE STILL AMONG THE LOWEST IN ASIA BECAUSE OF INSUFFICIENT IRRIGATION, WATER-CONTROL DATE:
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HANOI HAS LEANED HEAVILY ON ITS COMMUNIST ALLIES FOR
COMMODITY AND CAPITAL ASSISTANCE. AID JUMPED FROM \$425 MILLION
IN 1972 TO ABOUT \$600 MILLION IN 1973 AND THEN TO \$1.2
BILLION IN 1974.4

LAST DECEMBER, HANOI SET AN AMBITIOUS TARGET FOR ECONOMIC GROWTH IN 1975. THE PLANNERS DID NOT ANTICIPATE THE MILITARY TAKEOVER OF THE SOUTH IN APRIL, HOUSVER/ THIS HAS DIVERTED HANOI'S ATTENTION TO IMPROVING SECURITY, ADMINISTERING THE GOVERNMENT, AND REVIVING THE ECONOMY IN THE SOUTH. ALTHOUGH SUBSTANTIAL INDUSTRIAL GROWTH CAN BE EXPECTED IN THE NORTH AS RESTORATION AND EXPANSION OF LARGE PLANTS ARE COMPLETED, MOST OF HANOI'S TARGETS FOR 1975 APPEAR BEYOND REACH.

BEYOND THE NEXT YEAR OR SO, GROWTH PROSPECTS ARE LIKELY
TO GET WORSE BEFORE THEY GET BETTER, DESPITE A LARGE LABOR

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VESTERN MENISPHERE DRIEF 133-75.4

ARGENTINA: LABOR LEADERS IN ARGENTINA ON JULY 23 CONFRONTED THE EMBATTLED PRESIDENT PERON WITH TOUGH ECONOMIC AND POLITICAL DEMANDS-Y

THE LEADERS DEMANDED NEW PRICE CONTROLS AND PERIODIC WAGE
ADJUSTMENTS TO COMPENSATE FOR ARGENTINA'S RUNAWAY INFLATION. THEY
ALSO CA-LED FOR NATIONALIZATION OF POREIGN TRADE AND THE BANKING
SYSTEM TO HALT THE PLIGHT OF CURRENCY ABROAD. THE LABOR POSITION
REPORTEDLY HAD BEEN COORDINATED WITH THE ARRED FORCES AND THE
PERONIST POLITICAL ORGANIZATION.Y

THE LABOR LEADERS ALSO ASKED FOR A SUEEPING REORGANIZATION OF THE PERONIST NOVEMENT TO GET RID OF THE RENAINING FOLLOWERS OF FORMER PRESIDENTIAL ADVISER LOPEZ REGA-Y

ON JULY 23 THE RESIGNATIONS OF THE MINISTER OF SOCIAL WELFARE AND THE PRESIDENT'S PRESS SECRETARY. BOTH CLOSE TO LOPEZ REGA. WERE ACCEPTED. THE RESIGNATIONS FOLLOWED THE DISMISSAL OVER THE WEEKEND OF ECONOMY MINISTER RODRIGO.Y

THE MEETING WITH LABOR BEADERS HAD TO BE CUT SHORT BECAUSE OF WHAT A LABOR PARTICIPANT DESCRIBED AS HRS. PERON'S "FATIGUE AND

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NERVOUSNESS." A BOCUMENT CONTAINING THE LABOR DEMANDS WAS LEFT WITH THE PRESIDENT.Y

PROPOSALS WILL BE FULLY ACCEPTED. NEGOTIATIONS WILL PROBABLY EXTEND OVER SEVERAL DAYS. BOTH LABOR AND POLITICAL SOURCES HAVE TOLD THE US EMBASSY THAT MRS. PERON WILL BE FORCED TO JOIN LOPEZ REGA IN EXILE IF SHE REFUSES TO MEET THEIR DEMANDS.4

IN ANY EVENT. MOST OBSERVERS CONCEDE THAT THE ARMED FORCES WILL PROBABLY PARTICIPATE MORE DIRECTLY IN A RESTRUCTURED GOVERNMENT AND THAT MRS. PERON. IF SHE REMAINS. WILL BE RELEGATED TO A FIGUREHEAD POSITION. {CONFIDENTIAL} E-2 IMPDET.A

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2. USSR-EGYPT: EGYPTIAN FINANCE MINISTER AHMAD ABU ISMAIL WILL LEAVE FOR MOSCOW TODAY TO DISCUSS EGYPT'S DEBT PROBLEMS WITH THE USSR.Y

SINCE LAST YEAR, PRESIDENT SADAT HAS BEEN URGING MOSCOU TO POSTPONE PAYMENTS DUE IN 1975 ON CAIRO'S MILITARY DEBT OF AT LEAST \$1.5 BILLION. THE SOVIETS HAVE RESISTED, IN PART BECAUSE THE DEBT CONSTITUTES ONE OF THEIR REMAINING WAYS TO PUT POLITICAL PRESSURE ON SADAT, BUT THIS SPRING THEY DID INVITE THE EGRYPTIANS TO SEND A DELEGATION TO MOSCOU FOR FURTHER DISCUSSIONS. CAIRO APPARENTLY WAS NOT READY TO ACCEPT UNLESS THE SOVIETS GAVE ASSURANCES THAT THEY WOULD BE CONCILIATORY.

THE EGYPTIANS SAY THAT LAST WEEK THE SOVIETS RENEWED THEIR INVITATION. IF SO, IT SEEMS LIKELY THAT THE SOVIETS GAVE SIGNS OF NEW FLEXIBILITY ON THE DEBT QUESTION. THE SOVIETS MAY HAVE DECIDED TO ACT NOW, BEFORE EGYPTIAN NEGOTIATIONS ON WESTERN FINANCIAL ASSISTANCE ARE COMPLETED, AND THUS PUT SADAT IN A BETTER POSITION TO THUMB HIS MOSE AT MOSCIMOW.Y

THEY MAY ALSO HOPE TO HEAD MITOFF FURTHER RESTRICTIONS ON

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SOVIET PORT RIGHTS, THE OUSTER OF THE REMAINING SOVIET ADVISERS, OR EVEN ABROGATION OF THE SOVIET-EGYPTIAN TREATY. MOSCOW MIGHT ALSO CONSIDER THAT A POSITIVE MOVE WOULD BLUNT EGYPTIAN CHARGES OF INADEQUATE SOVIET SUPPORT, PARTICULARLY SINCE THE VISIT WILL BE MADE DURING A PERIOD OF INCREASED ARAB-ISRAELI TENSION-Y

THERE IS A REMOTE POSSIBILITY THAT THE EGYPTIANS SOUGHT
THE MEW INVITATION FROM MOSCOW. ANY HELP ON THE ECONOMIC FRONT
WOULD BE USEFUL FOR EGYPT, AND SADAT WILL WELCOME THE OPPORTUNITY
TO DEMONSTRATE THAT HE STILL HAS THE OPTION OF IMPROVING RELATIONS
WITH MOSCOW. ECONFIDENTIALLY

B. IRAN: IRAN HAS AGREED, AT THE REQUEST OF UN SECRETARY GENERAL WALDHEIM, TO PROVIDE A UNIT TO TAKE THE PLACE OF THE DEPARTING PERUVIAN CONTINGENT IN THE UN DISENGAGEMENT OBSERVER FORCE ON THE GOLDAN FRONT.4

TEHRAN'S ACCEPTANCE IS INDICATIVE OF THE SHAH'S INTENTION.

TO PLAY A MORE INFLUENTIAL ROLE IN THE MIDDLE EAST. IT ALSO

REFLECTS HIS DESIRE TO STRINENGTHEN MODERATE FORCES AND PROMOTE

A REDUCTION OF TENSIONS IN THE REGION. TENRAN IS NOW MAITING FOR

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FOR MANY YEARS THE SHAH TENDED TO REGARD THE ARAB-IZRAELI CONFLICT AS SERVING IRANIAN INTERESTS. IT OCCUPIED THE ARABS AND GAVE IRAN A FREER HAND TO PURSUE ITS INTERESTS IN THE PERSIAN GULF. MORE RECENTLY, HOMEVER, HE HAS COME TO REGARD A SETTLEMENT AS DESTRABLE. HIS CHANGE OF ATTITUDE HAS BEEN INFLUENCED BY THE DEVELOPMENT OF RADICAL PHALESTINIAN ORGANIZATIONS, THE STRENGTHENING OF ARAB UNITY AND INCREASED SOVIET PENETRATION OF THE REGION--ALL, IN THE EYES OF THE SHAH, DETRIMENTAL TO LONG-RANGE IRANIAN GOALS.Y

THE SHAH PROBABLY ALSO CALCULATES THAT THE INCREDASING INVOLVEMENT OF SAUDI ARABIA AND OTHER GULF STATES IN THE ARAB-ISRAELI DISPUTE IS LIKELY TO ADD TO PRESSURES ON IRAN TO REDUCE OR CUTHITS TIES TO ISRAEL IF A HELL WAR OCCURSAY:

EVENTS SINCE THE DAYS ARAB-ISRAELI WAR HAVE DIMINISHED IRANIS TRADITIONAL ALGORNESS TOWARD THE ARABS AND WEAKENED

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ITS UNPUBLICIZED COOPERATION	WITH ISRAEL. NE		
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